No. 9070

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

GOLDEN WEST BREWING COMPANY (a corporation),
Appellant,

vs.

MILONAS & SONS, INC. (a corporation), operating under the fictitious styles of "Willows Brewing Co." and "General Enterprise Co.",
Appellee.

BRIEF FOR DEFENDANT-APPELLEE.

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PERNAU-WALSH PRINTING CO., SAN FRANCISCO

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Now comes the Appellee above-named and herewith submits its Brief in this cause.

APPELLEE'S (DEFENDANT'S*) EXCEPTIONS TO PLAINTIFF'S STATEMENT OF THE CASE.

Defendant excepts to the Plaintiff's Statement of Facts of the Case, in the following particulars:

*In order to be uniform with Plaintiff's Brief, the Appellant-Plaintiff and the Appellee-Defendant are respectively designated herein as Plaintiff and Defendant, as in the trial Court.

1. Plaintiff's Brief, at page 1, states that the Bill of Complaint alleges infringement and unfair competition with respect to use of "trademarks of Plaintiff-Appellant on *beverages,** particularly, Beer". The fact is that the allegations in the Complaint of ownership of trademarks and also the proofs, were limited exclusively to *malt beverages having alcoholic content.* Plaintiff made no allegations nor proof of use of its marks on any beverages except malt beverages having an alcoholic content. (R. 2, par. IV.)

The statement at page 2 of Plaintiff's Brief that its registrations are directed to "malt beverages and liquors, (both *alcoholic* and *non-alcoholic*)", is not a fact since the Exhibits 1 to 6, inclusive, plainly show that the registrations are in "Class 48, Malt Beverages and Liquors", and not in "Class 45, Beverages, Non-Alcoholic". The statement (page 1 of Plaintiff's Brief) that the suit is for unfair competition by reason of unlawful use of trademarks is not the fact. All of the allegations of the Complaint are directed to infringement of technical trademarks, except one incidental allegation that Defendant has displayed its mark "Alpen Glow" on its *place of business* and on its *trucks,* and has featured a golden color on such trucks. (R. 7-8.) The attempt to switch the allegations of unfair competition away from the place of business and trucks, so as to make it apply to beverages generally is not according to the facts as pleaded and tried.

2. The Answer of Defendant admitted that Defendant used its own trademark "Alpen Glow" on beer, a malted alcoholic beverage (R. 20); denied infringement by such

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*Italics may be considered our unless otherwise indicated.

use; denied any fraudulent intent (R. 21); and as separate defenses, alleged invalidity of the Plaintiff's marks and registrations (R. 24, 25); that Defendant had been granted registration in the Patent Office of its own mark "ALPEN GLOW" in spite of the then existing registrations of Plaintiff's marks (R. 25, 27); and also alleged an equitable estoppel of Plaintiff by reason of a combination of facts and circumstances.

3. The Court made no such Finding as summarized by Plaintiff on page 6 of its Brief, to the effect that the Plaintiff had used the short phrase "Glow" since June, 1925. The Court found (Finding IV, R. 34, 35), that the Plaintiff has continuously used the mark "GLOW" since April 7, 1933. The Court also found that Defendant has used its own mark "ALPEN GLOW" continuously since the same date, to-wit, April 7, 1933. (Finding X, R. 37.)

4. As stated by Plaintiff, the Court denied an accounting but granted an Injunction, the effective date of which was stayed to permit Defendant to consume its existing labels, on a balancing of equities discussed more at length in this Brief.

5. Subsequent to the Decree, Plaintiff demanded its costs of suit under threat of execution, and they were paid by Defendant (R. 49, 50); also, subsequent to the Decree, Plaintiff caused to be issued and served on Defendant, a perpetual injunction pursuant to the Decree.

POINTS ON WHICH DEFENDANT-APPELLEE RELIES IN THIS APPEAL.

I.

Defendant urges that Plaintiff has waived its right of appeal by accepting benefits under a Decree which, on its face, discloses that it was entered upon a balancing of equities and an imposition of terms to be accepted by Plaintiff, if they elected to take the benefits thereby awarded.

II.

That as to Assignment of Errors Nos. 1, 3 and 5, the question of stay of Injunction and permitting Defendant to dispose of its existing labels bearing the mark "ALPEN GLOW" within a limited time presents a moot question only, since the said limited time has now expired and Injunction has been issued and served on Defendant and is now effective.

III.

That as to Assignment of Errors Nos. 2, 4, 6 and 8, the trial Court was vested with inherent power to exercise sound legal discretion in denying an accounting and refusing to decree the destruction of Defendant's labels; the finding of good faith of Defendant was based on testimony of witnesses before the trial Court, and whose credibility and veracity the trial Judge was best able to determine.

IV.

That, as to Assignment of Errors Nos. 7 and 9, there is no justification for appeal on the grounds that the Decree did not enjoin unfair competition in the sale of beverages, generally, under Defendant's mark "ALPEN GLOW".

V.

That, regardless of the fact that Defendant-Appellee accepted the decision of the trial Court in good faith and did not appeal, this Court, acting on its own Motion, should refuse to judicially sanction the expropriation from the public domain, as trademarks, of any words which the public has a right to use as properly descriptive of the characteristics of the product; nor should this Court set a precedent and authority by judicially approving the holding of the District Court that the Defendant's marks herein infringed any valid trademark rights of Plaintiff.

POINT I.

PLAINTIFF HAS WAIVED ITS RIGHT OF APPEAL BY ACCEPTING BENEFITS.

Where a successful party in the trial Court elects to accept and carry to execution the beneficial portions of a Decree, he cannot appeal from the remainder of the Decree in order to get more than he has accepted by his own election.

The record discloses that the Decree awarding costs and an Injunction to the Plaintiff was entered June 14, 1938. (R. 46.) Appellant accepted and executed every provision of the Decree which was beneficial to it. Plaintiff demanded and collected its costs (R. 49, 50); it caused to be issued a Permanent Injunction. (R. 51, 52.) Plaintiff cannot, by its own act, elect to take advantage of execution of all that is beneficial in a favorable Decree, and appeal in an endeavor to get more than he has elected to accept, merely because the Decree contained other provisions not beneficial. If Plaintiff was not satisfied with the Decree of the trial Court; if it felt that the trial Court was in error, it should not have elected to accept and enforce the beneficial portions of the Decree to the detriment of Defendant by issuance of Injunction destroying Defendant's good will under the labels Defendant was using. It may be cause for question as to how the Defendant could be prejudiced in this appeal by enforcement of the Decree as to costs and the issuance of Injunction. The Defendant being advised of the rule of law that a party could not appeal from a favorable Decree under which the benefits were accepted and knowing that costs which were demanded and paid under threat of a three day notice of execution and attachment (R. 49-50), amounted to only \$125.35, and, believing that the election to accept the beneficial portions of the Decree would eliminate the expense of an appeal, decided that it would be cheaper to pay said costs and change its labels and permit the Injunction to issue, than to incur the expense of an appeal in its own behalf from those portions of the Decree holding the marks in issue valid and infringed. The Plaintiff had the alternative elections to appeal from the Decree without taking the benefits afforded thereby, or to accept the benefits decreed and carry them to execution and thereby waive appeal as to those portions which were not favorable. It is believed to be well settled that a party in whose favor a Decree is entered cannot appeal from the favorable portion of the Decree; and it is equally well settled that if a party elects to execute, to the detriment of the opposing party, favorable portions of a Decree which has been entered upon imposition of terms, amounting to a balancing of equities, he cannot sustain an appeal as to those portions of the Decree which are not favorable to him.

Lindheimer v. Illinois Bell Telephone Co., 292 U. S. 151, 176, 78 L. Ed. 1182, 1197:

"The Company was successful in the District Court and has no right of appeal from the decree in its favor. The Company is not entitled to prosecute such an appeal for the purpose of procuring a review of the findings of the court below with respect to the value of the company's property or the other findings of which it complains. Its contentions in these respects have been considered in connection with the appeal of the state authorities and the city. The appeal of the Company is dismissed. New York Teleph. Co. v. Maltbie, 291 U. S. 546, ante, 1041, 54 S. Ct. 443 (February 19, 1934)."

New York Telephone Company v. Maltbie, 291 U. S. 645, 78 L. Ed. 1041:

"The District Court, specially constituted as required by statute (U. S. C. title 28, Sec. 380), permanently enjoined, as confiscatory, the enforcement of the rate orders which are the subject of this suit. The injunction is unqualified. Appellant, having obtained this relief, is not entitled to prosecute an appeal from the decree in its favor, for the purpose of reviewing the portions of the decree fixing the value of appellant's property as of the years 1924, 1926, and 1928, and the rate of return to be allowed."

Koenigsberger v. Richmond Silver Mining Company, 158 U. S. 41 at 50-53, 39 L. Ed. 889, at 893:

"The remaining question in the case concerns the proceeding by which the circuit court, being of opinion 'that reversible error had been committed in the trial court upon the question of damages' ordered the judgment to be reversed and a new trial granted, unless the plaintiff should file a remittitur of one half of the judgment; and, upon his filing such a remittitur, affirmed the judgment as to the other half thereof.

Both parties excepted to this proceeding. But there was no error therein, of which either party has a right to complain.

The plaintiff, by not insisting on the alternative, allowed him by the court, of having a new trial of the whole case, but electing the other alternative allowed, of filing a remittitur of half the amount of the original judgment, and thereupon moving for and obtaining an affirmance of that judgment as to the other half, waived all right to object to the order of the court, *of the benefit of which he had availed himself.* Kennon v. Gelmer, 131 U. S. 22, 30 (33 L. Ed. 110, 114); New York Elev. R. Co. v. Fifth Nat. Bank of New York, 135 U. S. 432 (34 L. Ed. 231)."

Allen v. Bank of Angelica (C. C. A. 2nd), 34 Fed. (2d) 658, 659:

"Chase, Circuit Judge (after stating the facts as above). The appellant is dissatisfied only because he was not awarded the gross proceeds of the sales, instead of the net proceeds. That is all there is in this appeal, and makes it stand out in bold relief that the claim on which the appellant has had a judgment which has been satisfied is exactly the same claim on which he would again seek recovery on his theory of the law applicable to this case. *As not infrequently happens, he has recovered less than he claimed the right to recover.* His failure was not due to any dispute as to the facts, but solely to his having been unable to convince the court that the law on which he relied was applicable. Consequently we have a judgment based on inseparable claims, and from which an appeal has been taken by the party, who has already received the benefit of such judgment by accepting complete satisfaction of it. This is quite different from taking an appeal from a judgment which is based on separate and distinct claims, and the claim or claims for which payment has been received are no longer in controversy. Where an appeal is taken under such conditions, the appellant is not involved in the inconsistency here present, for he has received only that to which he is entitled in any event. See Embry v. Palmer, 107 U. S. 3-8, 2 S. Ct. 25, 27 L. Ed. 346; Carson Lumber Co. v. St. Louis & S. F. R. Co. (C. C. A.), 209 F. 191; Peck v. Richter (C. C. A.), 217 F. 880.

But the trouble with the position that the appellant has taken in this case lies in the fact that, if this judgment should be reversed, it must be reversed in its entirety, and there would remain in the possession of the appellant money to which it had not been determined that he was entitled. He has voluntarily placed himself in the position of admitting the validity of the whole judgment, for the purpose of accepting entire satisfaction of it by receiving money which otherwise would presumably still be in the possession of the appellee, and, having done so, cannot be heard to deny its validity for the purpose of litigating the same claim again, in an attempt to increase the amount of the award. To permit him to do this would put him in the unfair position of one who has collected in advance, in part, at least, a judgment which he has not yet obtained, and which we have no right to assume he will ever obtain. *Without accepting payment, the appellant could have appealed from this judgment, and urged here the error which he thinks entered into it. He elected to accept satisfaction. He necessarily had to accept at the same time the view of the law on which the judgment was based, and is estopped from prosecuting this appeal.* Redondo S. S. Co., Inc. v. McNeil & Sons Co. (C. C. A.), 16 F. (2d) 462; In re Minot Auto Co. (C. C. A.), 298 F. 853; Albright v. Oyster (C. C. A.), 60 F. 644.

Appeal dismissed."

Oriole Phonograph Co. v. Kansas City Fabric Products Co. (C. C. A. 8th), 34 Fed. (2d) 400, 401:

"It appears from the findings that the appellants have participated in the composition, which was confirmed by the court, and have received and retained the consideration distributed to them. Under the terms of the composition this consists of a payment of 10 per cent. of the amount of their claims, in cash, and of certain notes and stock. It was admitted on oral argument that checks covering the cash payments had been received by the appellants and were still retained by them, as were also the notes and certificates of stock. It cannot be said that these considerations or payments were due appellants in any event, as was the case in *Armstrong v. Lone Star Engine Co.* (C. C. A.), 20 F. (2d) 625, but they were benefits accepted under the composition confirmed by the order and judgment from which appellants now seek to prosecute this appeal. *Having retained these payments, under the terms of the composition and judgment, the appellants are estopped to question its* *validity. Albright v. Oyster* (C. C. A.), 60 F. 644; *Chase v. Driver* (C. C. A.), 92 F. 780; *Spencer v. Babylon Co.* (C. C. A.), 250 F. 24.

As said by this court in *Albright v. Oyster,* supra:

'No rule is better settled than that a litigant who accepts the benefits or *any substantial part of the benefits or a judgment or decree is thereby estopped from reviewing and escaping from its burdens. He cannot avail himself of its advantages and then question its disadvantages in a higher court.*' "

This is a case where the Findings of Fact (R. 31), and the Decree (R. 46), demonstrate that the judgment was rendered based on a consideration of a balancing of rights and equities and it would certainly be inequitable to entertain an appeal of a party who accepts a decree for that portion which is beneficial and attempts to get more by way of appeal.

Altman v. Shopping Center Bldg. Co. (C. C. A. 8), 82 Fed. (2d) 521, 527:

"*The only fair inference to be drawn from all of the terms of the decree is that the chancellor found and considered that there were equities in favor of the Altman heirs arising out of the conduct of Mr. and Mrs. Tureman which justified using the extraordinary powers of the court of equity to readjust and preserve the relationship* of the Altman heirs as tenants under the three leases, to withhold from the Turemans rights of forfeiture plainly accorded them in their ground lease, and to cause all of the net revenues of the property to be applied for the benefit of the Altman heirs from practically the commencement of the suit so as to preserve the status of the Altman heirs as lessees under the ground leases. * * *

By the acceptance of the benefits of the decree, they are precluded from attacking it on appeal. If they believed themselves entitled to have the Turemans make the payments called for by the Altman-Merchants indenture, they could have stood upon that claim. But they apprised the District Court, by their alternative pleading, that if it should be adjudged that the Turemans were not so liable then they prayed that the extraordinary equitable remedies be granted, of which they have taken full advantage. Terry v. Abraham, 93 U. S. 38, 23 L. Ed. 794; Smith v. Morris (C. C. A. 3), 69 F. (2d) 3, 5; United Engineering & F. Co. v. Cold Metal Process Co. (C. C. A. 3), 68 F. (2d) 564; Finefrock v. Kenova Mine Car Co. (C. C. A. 4), 37 F. (2d) 310, 314; Oriole Phonograph Co. v. Kansas City F. P. Co. (C. C. A. 8), 34 F. (2d) 400; Allen v. Bank of Angelica (C. C. A. 2), 34 F. (2d) 658; Redondo S. S. Co. v. A. McNeil & Sons Co. (C. C. A. 2), 16 F. (2d) 462; In re Minot Auto Co. (C. C. A. 8), 298 F. 853, 857; Spencer v. Babylon R. Co. (C. C. A. 2), 250 F. 24, 26; Chase v. Driver (C. C. A. 8), 92 F. 780, 786; Albright v. Oyster (C. C. A. 8), 60 F. 644. See, also, New York Tel. Co. v. Maltbie, 291 U. S. 645, 54 S. Ct. 443, 78 L. Ed. 1041; Lindheimer v. Illinois Bell Tel. Co., 292 U. S. 151, 54 S. Ct. 658, 78 L. Ed. 1182."

In the instant case the trial Court imposed two sets of terms in granting the Plaintiff an Injunction; first, that there be no accounting for profits or damages, and second, that the Defendant be permitted to use up its present supply of labels within a period expiring September 30, 1938. The Plaintiff accepted those terms by executing the beneficial portions of the Decree to which it was entitled only upon the conditions imposed. It cannot eat its cake and have it too.

POINT II.

THE QUESTION OF STAY OF INJUNCTION IS NOW A MOOT QUESTION.

Any question of appeal based on stay of the Injunction to September 30, 1938, and permitting Defendant within that time to use up its existing stock of labels, is now a moot question, since that date is past and the Injunction has issued and been served. (R. 51-52.)

Richardson v. McChesney, 218 U. S. 487, 54 L. Ed. 1121:

"The matter which the defendant McChesney, as secretary of the commonwealth of Kentucky, is to be prohibited from doing, relates solely to an election to be held in November, 1908, and the thing which he is to be required to do relates only to the same election. The election to be affected by a decree, according to the prayer of the bill, has long since been held, and the members of Congress were, in November, 1908, elected under the apportionment act of 1890. They were, as we may judicially know, admitted to the respective seats, and, as we may also take notice, their successors have been elected according to the same scheme of apportionment. The thing sought to be prevented has been done, and cannot be undone by any judicial action. Under such circumstances there is nothing but a moot case. Mills v. Green, 159 U. S. 651, 40 L. Ed. 293, 16 Sup. Ct. Rep. 132; Jones v. Montague, 194 U. S. 147, 48 L. Ed. 913, 24 Sup. Ct. Rep. 611.

The duty of the court is limited to the decision of actual pending controversies, and it should not pronounce judgment upon abstract questions, however such opinion might influence future action in like circumstances."

Mills v. Green, 159 U. S. 651, 40 L. Ed. 293:

"The defendant moved to dismiss the appeal, assigning, as one ground of his motion 'that there is now no actual controversy involving real and substantial rights between the parties to the record, and no subject-matter upon which the judgment of this court can operate'.

We are of opinion that the appeal must be dismissed upon this ground, without considering any other question appearing on the record or discussed by counsel.

The duty of this court, as of every other judicial tribunal, is to decide actual controversies by a judgment which can be carried into effect, and not to give opinions upon moot questions or abstract propositions, or to declare principles or rules of law which cannot affect the matter in issue in the case before it. It necessarily follows that when, pending an appeal from the judgment of a lower court, and without any fault of the defendant, an event occurs which renders it impossible for this court, if it should decide the case in favor of the plaintiff, to grant him any effectual relief whatever, the court will not proceed to a formal judgment, but will dismiss the appeal. And such a fact, when not appearing on the record, may be proved by extrinsic evidence. Lord v. Veazie, 49 U. S. 8 How. 251 (12 L. Ed. 1067); California v. San Pablo & T. R. Co., 149 U. S. 308 (37 L. Ed. 747)."

POINT III.

EXERCISE OF DISCRETION IS AN INHERENT POWER OF COURTS OF EQUITY. THAT POWER WAS NOT ABROGATED BY THE TRADEMARK STATUTE, AND WAS PROPERLY EXERCISED IN THIS CAUSE.

A Court of Equity, exercising its inherent power, will not award an accounting under any set of facts which would force the Court to enter an inequitable decree.

Discretion in a Court of Equity is Inherent.

A Court of Equity, in rendering its Decree, especially for an Injunction, has the inherent right to impose terms and conditions upon a balancing of equities.

> *Russell v. Farley,* 105 U. S. 433, 26 L. Ed. 1060 at 1061-2:
>
> "But it is contended by the appellant that the circuit court had no power to decree that he was not entitled to damages, thereby precluding him from recovering damages on the injunction bond; and, if it had any power to make a decree on the subject of damages, the decree denying him damages in this case is erroneous. * * *
>
> It is a settled rule of the court of chancery, in acting on applications for injunctions, to regard the comparative injury which would be sustained by the defendant, if an injunction were granted, and by the complainant, if it were refused. Kerr, Injunctions, 209, 210. And if the legal right is doubtful, either in point of law or of fact, the court is always reluctant to take a course which may result in material injury to either party; for the damage arising from the act of the court itself is damnum absque injuria, for which there is no redress except a decree for the costs of the suit, or, in a proper case, an action for malicious pros-

ecution. To remedy this difficulty, the court, in the exercise of its discretion, frequently resorts to the expedient of imposing terms and conditions upon the party at whose instance it proposes to act. The power to impose such conditions is founded upon and arises from the discretion which the court has in such cases, to grant or not to grant the injunction applied for. It is a power inherent in the court, as a court of equity, and has been exercised from time immemorial.''

Meyers v. Block, 120 U. S. 206, 30 L. Ed. 642:

''As to the power of a court of equity to impose any terms in its discretion, as a condition of granting or continuing an injunction, there can be no question. This subject is considered in the case of Russell v. Farley, 105 U. S. 433 (26 L. Ed. 1060).''

Inland Steel Co. v. United States, ... U. S. ...., 83 L. Ed. ...., Advance Sheets No. 8 (Jan'y 30, 1939).

''A Court of Equity 'in the exercise of its discretion, frequently resorts to the expedient of imposing terms and conditions upon the party at whose instance it proposes to act. The power to impose such conditions is founded upon, and arises from, the discretion which the court has in such cases, to grant, or not to grant, the injunction applied for. It is a power inherent in the court, as a court of equity, and has been exercised from time immemorial'.''

See also:

Kinney Coastal Oil Co. v. Kieffer, 277 U. S. 488, 507, 72 L. Ed. 961, 967;

Lynch v. Burt (C. C. A. 8), 132 Fed. 417, 432;

Burnes v. Burnes (C. C. A. 8), 137 Fed. 781, 791.

The power of a Court of Equity is as broad and comprehensive as the necessities of doing equity may require under the circumstances of any individual case, as aptly said recently by the Supreme Court in:

Sprague v. Ticonic Nat'l. Bank (April 24, 1939), ... U. S. ...., 83 L. Ed. .... (Advance Sheets No. 14, p. 771, at 774):

"As in much else that pertains to equitable jurisdiction, individualization in the exercise of a discretionary power will alone retain equity as a living system and save it from sterility."

The Statute is Not Mandatory.

Plaintiff's principal contention on the question of denial of accounting is that a Court of Equity is mandatorily commanded to decree an accounting for profits and damages in every case wherein a decree for an Injunction is entered against a Defendant.

The contentions of Plaintiff are not consistent. They urge that the Court is deprived of its "inherent power" of exercising discretion to do equity, and at the same time, cite instances and circumstances under which an accounting may properly be denied. If the Court is deprived of its inherent power by the Statute, the exceptions cited by Plaintiff would not exist. The Plaintiff's Brief amounts, therefore, to an argument that the inherent power of the Court to impose terms and do equity is not affected by the Statute.

The Statute (Sec. 19, Trademark Act Feb. 20, 1905, 15 U. S. C. A. Sec. 99), is not mandatory; it says that the Courts

> "shall *have power* to grant injunctions, *according to the course and principles of equity* * * * *on such terms as the court may deem reasonable*";

There is a specific reservation that the granting of Injunction shall be according to the principles of equity, on such terms as the Court may deem reasonable. The "terms" in this case were that the Plaintiff take no accounting, and that the Defendant be not restrained from using up its existing stock of labels. Nor is the Statute mandatory on the question of accounting—it does not purport to say mandatorily that in every case of granting an Injunction, the Court *must or shall decree an accounting*. It says:

> "and upon a decree being rendered in any such case for *wrongful* use of a trademark the plaintiff *shall be entitled* to recover, etc."

First, the Findings of Fact (R. 40, Finding XV), demonstrate that the trial Court, who saw and heard the witnesses testify and could judge of their credibility and veracity, was convinced that there was not a "*wrongful*" use of Plaintiff's trademark even though the Court found a technical infringement. Note that this use of the word "*wrongful*" does not apply to the granting of an Injunction. (Defendant concedes that a party may be entirely innocent of any wrongful intent, may not ever have had knowledge of a Plaintiff's mark, and yet technically infringe a trademark. In such a case Injunction is granted to prevent further infringement, not only for the benefit of Plaintiff, but for the benefit of the public.) But when the Statute dwells upon the subject of accounting, it provides for an accounting only when the *"decree"* is for *wrongful* use of a trademark". No such Decree is entered here when it is construed in the light of paragraphs XIV to XVIII, inclusive (R. 39-41), of the Findings of Fact and Conclusions of Law VII and VIII. (R. 44-45.)

But even if the Court found a *"wrongful"* use of a trademark, it is still not deprived of its inherent power to do equity by an immutable command of the Statute to grant an accounting. The Statute does not say the Court must decree an accounting; it says that in case of a *wrongful* use "the complainant shall be entitled to recover".

"Shall" as used in a Statute may have many meanings. If it authorizes a public administrative officer to act, it has been construed as requiring him to act. If it authorizes a Court to act, it should not be construed as depriving a Court of Equity of its "inherent" power to do equity, unless no other construction is possible.

> *Fields v. United States,* 27 Appls. D. C. 433, at 440:
>
> "Words like may, must, shall, and so forth, are constantly used in statutes without intending that they shall be taken literally, and in their construction the object evidently designed to be reached limits and controls the literal import of the terms and phrases employed."

> *Law Ow Bew v. United States,* 144 U. S. 47, 59, 36 L. Ed. 340, 344:
>
> "Nothing is better settled than that statutes are to receive a sensible construction, such as will effect the legislative intention, and, if possible, so as to avoid an unjust or an absurd conclusion."

In re Chadbourne's Estate, 114 Pac. 1012, 1014, 15 Cal. App. 363:

"In accordance with this primary rule of interpretation (referring to Chauncey v. Dyke Bros., 119 Fed. 9, 55 C. C. A. 587), courts have construed 'may' as mandatory, giving it the meaning of 'shall' or 'must' (Estate of Ballentine, 45 Cal. 699; Hayes v. County of Los Angeles, 99 Cal. 74, 33 Pac. 766; Sutherland on Statutory Construction, 634); and in many cases it is held that 'shall' and 'must' are directory merely (Wallace v. Feeley, 61 Haw. Prac. (N. Y.) 225; Merrill v. Shaw, 5 Minn. 148; In re Thurber's Estate, 162 N. Y. 244, 56 N. E. 631; Stone v. Pratt, 90 Hun. 39, 35 N. Y. Supp. 519; First National Bank of Seneca v. Lyman, 59 Kans. 410, 53 Pac. 125; Cook v. Spears, 2 Cal. 409, 56 Am. Dec. 348; People v. Sanitary Dist. of Chicago, 184 Ill. 597, 56 N. E. 953)."

People v. Nussbaum, 66 N. Y. S. 129, 133:

"It is insisted that now there is no opportunity for the exercise of discretion by the justice, because the present act makes it the duty of the justice to whom the application is made to grant the application, and provides in one place that 'the order *shall be granted'* by him (section 4), while the former act provided that, if it appeared to the satisfaction of the justice to whom the application for the order is made that such an order is necessary, then such order should be granted (section 5). The claim is that under the present law the justice has no discretion in the matter, and must grant the order simply because it is asked for by the attorney general. It is true that the language of the act looks very much as if the legislature intended by it to provide for a sort of legislative mandamus against the justice to whom application for the order might be made. But, notwithstanding the law says that he shall grant the order, I think he is still charged with the duty of exercising a judicial discretion, in determining whether he should grant it or not in the specific case. The language means no more than if the act provided that the justice 'may', instead of 'shall', grant the order. The legislature is as powerless to coerce judicial action as the courts are to issue a mandamus against the governor or the legislature, each being independent of either of the others within their respective spheres of duty. People v. Morton, 156 N. Y. 136, 50 N. E. 791, 41 L. R. A. 231."

Chauncey v. Dyke Bros., 119 Fed. 1, 9 (C. C. A. 8):

"We are aware that some courts have at times expressed, in strong terms, the necessity of reading and enforcing statutes literally without regard to consequences. Some of these utterances have been called to our attention. But this doctrine of literalism which clings to the letter of a statute and ignores its purpose is not well calculated to promote the ends of justice, and has not been viewed with favor, at least by the federal courts. It is not the duty of a court of justice to perpetuate mistakes inadvertently made by the lawmaker by a blind adherence to the letter of a law, when the purpose of the law is apparent. A legislative enactment should always be so construed as to give effect to the intention of the lawmaker, when it is discernible, even if the language employed to express the intent is in some respects inapt and faulty. This is the primary canon of construction, which dominates all others, inasmuch as construction consists solely in finding out the intent of the lawmaker, with the aid of all such light on the subject as can be obtained."

But even if the word "wrongful" be eliminated from the Statute, and even though the phrase "shall be entitled to recover" should be construed as creating a right, it is also elementary that rights given by the common law, the Constitution or Statute, may be waived, extinguished, or modified by the acts of a party for whose benefit the right is given. For this is the foundation of the doctrines of waiver, estoppel, laches, "unclean hands", and of the inherent right of a Court of Equity to balance equities and impose terms of granting relief.

The Facts on Which the Court Exercised its Discretion.

What are the facts on which the Court acted? Admittedly, and the Court so found, the Plaintiff had developed a large business in malted alcoholic beverages under its alleged marks "GOLDEN GLOW" and "GLOW" and it had spent large sums in advertising. Therefore, it meant a great deal to Plaintiff that its marks be sustained. If Plaintiff's marks were not actually invalid as descriptive of the color and sparkle, brilliancy, or glow of beading beer, they were so highly suggestive of these characteristics, that infringement could be found only by identical copy. In fact, Defendant's witness, Hughes (R. 149, 150), a sales representative of one of the largest breweries in the country, testifies to the use of the term "glow" to describe the brilliancy of drawn or poured beer, and even without that testimony, it is common knowledge that a *golden glow* is no more than descriptive of a yellow glow or brilliancy. Defendant still considers the marks invalid as descriptive; or if valid, so highly suggestive that they are not infringed except by use of an identical mark.

However, in the Brief submitted in the trial Court by Defendant, Defendant strongly urged that the Plaintiff's marks were invalid, or if valid, were not infringed, but it closed its brief with the following statement:

> "Addenda
>
> Defendant has very seriously considered the propriety of submitting this addenda, and trusts that it may not be considered as indicating a belief by Defendant that it does not have a just cause, or is an attempt to barter with the Court. It is submitted in the utmost good faith because this case has factors not found in most trademark cases.
>
> Defendant urges that on the facts and the law applied thereto a decree should be entered for Defendant. However, in spite of the fact that Defendant firmly believes there is a clear estoppel against Plaintiff as a complete bar to this action, and in spite of the fact that Plaintiff's alleged trademarks are and each of them is invalid (and especially the alleged mark 'Glow'), because they are descriptive or deceptive, and there is no infringement; nevertheless, Defendant represents to the Court, on the basis of the testimony of its witnesses, Hughes and Benedict, that it believes there is nothing distinctive as indicating origin with any particular dealer in that portion of the marks of both Plaintiff and Defendant, consisting of the word 'Glow'. It believes that, with a reasonable time to dispose of its already packed beer and its manufactured and lithographed cans, it can find some other word than 'Glow' to combine with its word 'Alpen' which would solve this entire situation. In view of the fact that Defendant's president and principal salesman is away and will not return until July 15th, such a reasonable time is suggested as

September 30, 1938. Certainly, under the circumstances of this case, the equities would, in any event, require withholding a decree for an accounting and costs. This would clarify a situation where Plaintiff's own label maker suggested Defendant's trademark; where Defendant's predecessor adopted the mark in good faith because the entire mark 'ALPEN GLOW' is a plain English word of the dictionary (which manifestly suggests something entirely foreign to the meaning of Plaintiff's marks); where Plaintiff's then general manager told Defendant's predecessor that 'it was all right', before the use of the mark was begun; where there is a total lack of any proof of confusion of the goods of the parties by reason of use of the marks; where the Plaintiff, which seems to value the marks highly, would achieve its desires and may cancel and correct its registration for 'GLOW' obtained on a false statement of date of use; and where, if we may reiterate our contentions, Defendant believes it has demonstrated that the Plaintiff's marks are clearly invalid or, if valid, are not infringed."

Having made that representation to the trial Court, good faith required that Defendant should not appeal from a Decree which held Plaintiff's marks valid and infringed, denied an accounting, and permitted Defendant a reasonable time to use up its existing labels. We believe Plaintiff's marks are, at least, dangerously close to being descriptive, and if so held, the trial Court was faced with a situation of destroying Plaintiff's very large business and very extensive and expensive advertising if it held the marks invalid, when, as a matter of fact, it was not necessary in order to balance equities between these individual parties, especially when the Defendant did not attach any great significance or commercial value to the word "Glow" after hearing the testimony of Defendant's own witnesses (particularly Hughes) that "Glow" was not distinctive to indicate origin with a particular dealer.

False Statement of Date of Use in Plaintiff's Registration of "Glow".

One fact on which the exercise of discretion of the Court was based was the Plaintiff's false statement of fact in obtaining its registration of its mark "Glow". (Exhibit 5.) From Exhibit 5 it will be noted that in order to obtain that registration, Plaintiff made affidavit that it had used the mark since July 1, 19*25*, whereas the evidence discloses and the Court found, that Plaintiff first used that mark on April 7, 19*33*, nearly eight years later. (R. 71 and Finding 25, R. 42.) Whether or not the Patent Office would have granted Plaintiff's registration of the word "Glow" (Exhibit 5) if the facts in obtaining that registration had been correctly stated, we do not know. The Statute in that respect provides:

> "Sec. 21. *That no action or suit shall be maintained under the provisions of this act in any case* when the trademark is used in unlawful business, or upon any article injurious in itself, or which mark has been used with the design of deceiving the public in the purchase of merchandise, or has been abandoned, or *upon any certificate of registration fraudulently obtained.*" (15 U. S. C. A., Sec. 101.)

Section 25 of the same Act provides:

> "Sec. 25. That any person who shall procure registration of a trademark, or entry thereof, in the office

> of the Commissioner of Patents by a *false* or fraudulent *declaration or representation, oral or in writing, or by any false means,* shall be liable to pay any damages sustained in consequence thereof to the injured party, to be recovered by an action on the case.'' (15 U. S. C. A. Sec. 104.)

(See *Walworth & Co. v. Moon* (C. C. A. 1, 1927), 19 Fed. (2d) 496, holding registration invalid.)

It is plain that the Statute never contemplated that a Plaintiff should obtain any rights against others to destroy their business under a registered trademark, by injunction or an accounting, when the basis of the registration was a false statement of date of use. Plaintiff seeks to justify its claim to the false ''1925'' use of the mark ''Glow'' by asserting that its mark was ''Glow'' in 1925, but it merely combined it with other data in several different forms. Yet in 1927 it applied for registration of ''Golden Glow'' (Exhibit 1), ''It's the After Glow'' (Exhibit 2), ''Golden Glow'' and design (Exhibit 3), ''It's the After Glow''. (Exhibit 4.) The Defendant began to use ''Alpen Glow'' on its beer on April 7, 1933 (R. 114 and Finding XXV, R. 42), the same day Plaintiff first used the word ''Glow'' alone on Plaintiff's beer. Therefore, it is extremely difficult to see legal basis for finding of infringement of the trademark ''Glow'', since Plaintiff is not entitled to any *priority* of use as to the word ''Glow'' alone, even if it be a valid trademark. Coming back to Plaintiff's false claim of date of use, it will be noted from Exhibit 5 that application for registration for ''Glow'' alone was not made until May 17, 1933, more than a month after Defendant began using its mark ''Alpen Glow'' on beer. The situation is closely analogous to the decision of this Court in

> *John Morrell & Co. v. Hauser Packing Co.* (C. C. A. 9), 20 Fed. (2d) 713.

Plaintiff claimed the registered trademark "Pride"; Defendant employed the mark "Hauser's Pride". Both used their marks on ham and bacon.

> "This is a suit for the alleged infringement of plaintiff's registered trademark 'Pride'. * * *
>
> For more than 25 years prior thereto, Plaintiff had, for a similar purpose, used the word 'Pride', but only in combination, and 'Morrell's Pride', 'Morrell's Iowa Pride', and 'Morrell's Dakota Pride'. Though it never used or claimed the right to use or registered the single word 'Pride' until many years after defendant had established its use of 'Hauser's Pride', Plaintiff framed its bill upon the theory that from 1880 forward its trademark had always been 'Pride'. * * *
>
> Notwithstanding the fact that both companies had agencies in the same city, from which they competitively distributed the same class of merchandise to the same trade, plaintiff pleads, and its direct testimony tends to support, the strange contention that it remained in ignorance of the infringement of its rights for 13 years. Learning of defendant's brand in 1920, so it avers, it made request of it to desist from further use, but without avail, and thereupon, in 1922, it applied for the registration of the word 'Pride' alone, and in 1924 the application was granted.
>
> Against the infringement of this trademark so registered, and none other, it here seeks relief. Studiously it avoids in its bill the slightest reference to the use or registration of any combination brand or mark.

In the application it averred actual use of 'Pride' from 1880, but under the evidence this must be understood as use in combination, and the year as having been selected either arbitrarily or for tactical purposes, but the only use was in combination, and that from 1877 with no substantial change in 1880. It further appears from the evidence that in June, 1897, plaintiff registered its trademark as 'Iowa's Pride', and in October, 1916, as 'Dakota's Pride', and in January, 1920, as 'Morrell's Pride'; never prior to 1922 as 'Pride' alone. *Manifestly, its present contention that 'Pride' alone has always been its actual trademark, and that the words used and registered in combination therewith are to be disregarded, is a conception to be attributed to recent necessity.* For if from the beginning 'Pride' was its trademark, why did it not once for all so register it; or if in 1922 it was of the opinion now advanced that the other words in combination were to be regarded as meaningless, why did it again apply for the registration of a trademark which it had already registered three times; or if all four registrations were of the same trademark, why in the several applications did plaintiff aver widely differing dates of first actual use?

As said by the court below, within the scope of the complaint the question is not whether the word 'Pride' could, but whether it did, in fact, become Plaintiff's trademark prior to 1907. And we concur in answering the question in the negative. In the combination as actually used, and as registered, both words are given equal prominence, and to ignore one would be quite as arbitrary as to ignore the other. Both in the Patent Office and on the market, plaintiff declared its trademark to be, not 'Pride', but 'Morrell's Pride', or some other combination. Under such circumstances, the trademark must be deemed to consist of the combination. Armour & Co. v. Louisville P. Co. (D. C.), 275 F. 92; Id. (C. C. A.) 283 F. 42."

Defendant Adopted and Used its Mark in Good Faith.

A further fact on which the Court based its exercise of discretion is that Defendant acted in good faith. Plaintiff urges that Defendant was guilty of fraud. The trial Court had the opportunity of seeing the witnesses, hearing them testify and judging their veracity and credibility, and found as a fact (Finding XV, R. 40), that the Defendant adopted and used its mark in good faith and without wrongful or fraudulent intent.

The facts of such bona fide adoption and use by Defendant are included in Finding XIV. (R. 38.) Mr. Milonas, President of the corporate Defendant, who was then doing business with his son in a partnership which was later succeeded by the corporate Defendant, went to a label maker, Louis Roesch, in December, 1932, and Roesch suggested the mark "ALPEN GLOW". (R. 106.) A search of trademark records was made by Jackson & Webster, a firm which specializes in trademark registrations, who advised Roesch, the label maker, on December 12, 1932 (Defendant's Exhibit V), that the mark was available for registration for near beer. (R. 107.) (Beer had not at that time become definitely legalized.) In February, 1933, by letter of introduction from his bank, Milonas called on Mr. Carl Plaut, General Manager of Plaintiff corporation, to ascertain whether he could get the San Francisco agency for Plaintiff's "GOLDEN GLOW" beer, and whether Plaintiff would bottle beer for him under his own "ALPEN GLOW" label. He showed his own "ALPEN GLOW" label to Mr. Plaut who told him it was a nice label, a little fancy, but he would be glad to do business with him and "pack all the beer you want for your labels". Defendant then went out and put all his money into trucks and labels, but when he returned to see Mr. Plaut in March, 1933, to make a formal contract for bottling beer under his "Alpen Glow" label, it was "that same day the banks closed", and Mr. Plaut told him he (Plaut) didn't know just where the Plaintiff brewery stood in the matter of furnishing beer, and thereupon advised him to go out and get his beer elsewhere, with the possibility, but not a promise, that they might do business together later on. (R. 112, 113, 114.) In reliance upon Mr. Plaut's advice upon occasion of the first visit in February, 1933, Defendant went out and bought trucks, and ordered labels, and when he could not get the beer from Plaintiff's brewery he ordered it from another brewery. This testimony is corroborated in the main, but not in the exact words, by witness Plaut to the effect that he (Plaut) was general manager of Plaintiff's brewery from *February* to July, 1933, and actually attended to the business. (R. 138-139.) Sometime after February 1, 1933, Milonas called on him and showed him the Defendant's "Alpen Glow" label; that he (Plaut) thought the label looked nice and attractive. Though Plaut states he did not at the time approve or disapprove the label, he made no objection to it, and told Milonas "it was all right". (R. 140, 141.) Plaintiff endeavored to counter this evidence by the testimony of Plaintiff's witness Roesch, but even Roesch corroborates Milonas in the fact that Milonas called on him about labels before beer was legalized (sometime prior to December 12, 1932, see Exhibit V), and together they picked out the trademark "ALPEN GLOW" for Defendant. (R. 153.) Roesch was then making the Plaintiff's labels, and had made "millions and millions" of the "GOLDEN GLOW" labels for Plaintiff ever since 1916 (R. 156), from which bias favoring Plaintiff may be inferred in an endeavor not to gain the ill-will of such a good customer. Roesch weakly endeavored to satisfy this good customer by testifying that he informed Milonas that possibly "ALPEN GLOW" might conflict with "GOLDEN GLOW" and that Milonas better call on Plaut about it (R. 154); that Roesch sent Milonas to Jackson & Webster and Mr. Plaut at the same time. (R. 157.) He sent Milonas to see Mr. Plaut at Golden West Brewing Company. (R. 157, 159.) Exhibit V, letter of Jackson & Webster to Roesch, is dated December 12, 1932; Mr. Plaut did not become general manager at Plaintiff's brewery until February, 1933. Plaintiff also endeavors to show (R. 167), that Mr. Plaut was a mere figurehead at the plant. Plaut testified that he attended to the business. (R. 139.) Evidently those in the trade understood Plaut was general manager, because Roesch, the label maker who had made millions and millions of Plaintiff's labels, understood that when Plaut was there he was manager (R. 154); Plaintiff's witness, Goerl, master brewer, superintendent and vice president of Plaintiff corporation testifies (R. 168) that Plaut was "overseer"; and evidently even Plaintiff's president, Mr. White (R. 55) and the vice president, Mr. Goerl, could not do things without first consulting Plaut about what was done at the brewery, since Goerl testifies (R. 168) that Plaut always said "whatever you boys do is perfectly all right with the bank". The implication to be drawn from these chance remarks of Roesch and Goerl are the most conclusive evidence that Plaut was in charge of that business in a very important operative capacity.

> *Eibel Process Co. v. Minn. & Ontario Paper Co.,* 261 U. S. 45, 53, 67 L. Ed. 523, 528:
>
> "Implication of facts and conditions falling from the mouths of witnesses, when only collateral to the exact point of inquiry for which they are called, is generally the most trustworthy evidence, because the result of the natural, so to say, subconscious adherence to the truth, uninfluenced by a knowledge or perception of the bearing of the implication on the ultimate issue in the case."

The trial Court heard the testimony, and found as a fact (R. 39) that Plaut was general manager at the brewery, and all other facts substantially as testified to by Milonas, and thereupon found that Defendant's predecessor adopted and used the mark in good faith and without wrongful or fraudulent intent. On the evidence the Court might well have held that an estoppel existed which was a complete bar to the suit.

Extensive citation of authority is believed unnecessary to the point that where the determination of a fact depends on the credibility of witnesses who were before the trial Court, the Appellate Court will not reverse such Finding unless clearly wrong.

> *J. J. Antonsen v. C. C. Hedrick, etc.* (C. C. A. 9), 89 Fed. (2d) 149, 33 Pat. Qr. 180:
>
> "Of the twenty-seven witnesses who testified, seventeen testified in open court and were seen and heard by the trial judge, who had also the advantage of seeing and examining the accused machine. His find-

ings, therefore, unless clearly wrong, should not be disturbed. Reinharts v. Caterpillar Tractor Co. (C. C. A. 9), 85 Fed. (2d) 628, 630; Diamond Patent Co. v. Webster Bros. (C. C. A. 9), 249 F. 155, 158. See, also, Neukom v. North Butte Mining Co. (C. C. A. 9), 71 F. (2d) 851, 853; National Reserve Ins. Co. v. Scudder (C. C. A. 9), 71 F. (2d) 884, 888; Easton v. Brant (C. C. A. 9), 19 F. (2d) 857, 859."

Hyland v. Millers Nat. Ins. Co. (C. C. A. 9), 91 Fed. (2d) 735, 737:

"The witnesses were heard orally by the District Judge. There was much conflict in their testimony. Some were impeached or attempted to be impeached. It is a case particularly calling for the rule that the findings of the chancellor will be taken as correct unless clearly against the weight of the evidence. National Reserve Ins. Co. v. Scudder (C. C. A. 9), 71 F. (2d) 884; U. S. v. McGowan (C. C. A. 9), 62 F. (2d) 955, 957; Arkansas Natural Gas Corp. v. Pierson (C. C. A. 8), 84 F. (2d) 468, 470; Ditto v. Dufur (C. C. A. 8), 88 F. (2d) 266, 269."

Want of fraudulent intent has been repeatedly held proper grounds for denial of an accounting, even where infringement has been found and an injunction issued.

McLean v. Fleming, 96 U. S. (6 Otto) 245, 24 L. Ed. 828, 833:

"Cases frequently arise where a court of equity will refuse the prayer of the complainant for an account of gains and profits, on the ground of delay in asserting his rights, even when the facts proved render it proper to grant an injunction to prevent future infringement. Harrison v. Taylor, 11 Jur. (N. S.) 408; Cox, Tr. M., 541.

Relief of the kind is constantly refused, even where the right of the party to an injunction is acknowledged because of an infringement, as in case of acquiescence or *want of fraudulent intent.* Moet v. Couston, 33 Beav. 578; Edelsten v. Edelsten, 1 De G., J. & S., 185; Millington v. Fox (supra); Wyeth v. Stone, 1 Story 284; Beard v. Turner, 13 L. T. (N. S.) 747; Estacourt v. Estacourt, etc., Co., L. R., 10 Ch. App. 276; Coddington, Dig., 162; High, Injunc. 405.''

Ammon & Person v. Narragansett Dairy Co. (C. C. A. 1), 262 Fed. 880 (in this case the plaintiff had registered its trademark ''Queen'' on April 21, 1914; see opinion of trial court, 252 Fed. 276):

''While the plaintiff has registered 'Queen' as its trademark, we agree with the Court below that the case must be determined on common law principles, and that no rights now in question have been acquired out of registration.

The earlier Narragansett Company (from whom defendant bought its business), adopted the use of the word 'Queen' in good faith and with no intent to infringe upon any rights of the plaintiff. Both the plaintiff and the old company sold their goods as their own to their own customers. There is no evidence of any confusion of goods or of any unfair competition.

The District Court held that 'the plaintiff's right to an injunction is not free from doubt, but seems justified in order to prevent confusion likely to arise in the natural expansion of trade.

*   *   *   *   *   *   *

We reach therefore the same conclusion as to the plaintiff's right to an injunction reached by the court below; * * *

So far as damages and profits are concerned, we agree, also, with the District Court that the burden is upon the plaintiff to prove that the defendant has made profits attributable, in whole or in part, to its trademark (citing cases). This burden was not sustained.

It is true that the plaintiff promptly notified the defendant in September, 1915, that its use of the word 'Queen' was an infringement upon plaintiff's rights and that defendant thereafter wrongfully persisted in this infringing use. But, *as the court below found, there was no evidence that any mistake was ever made by purchasers, and there was affirmative evidence that no mistake was made to the knowledge of defendant's officials. Moreover, the goods of the two concerns were to some degree distinguished by cartons, labels and other markings, notwithstanding the common use of the word 'Queen' as a trademark.* The findings of the Court below, that 'the evidence fails to show that the defendant has adopted the word 'Queen' with any intention of deceiving the public, or of appropriating plaintiff's good will or trade reputation' and 'that the word ''Queen'' was used by the defendant apparently in good faith and in reliance upon its former use by the earlier company which had used it since 1909', were plainly warranted by the evidence and dispose of any doubt otherwise possibly arising as to plaintiff's right to an accounting for damages and profits.''

Middleby-Marshall Oven Co. v. Williams Oven Mfg. Co. (C. C. A. 2), 12 Fed. (2d) 919:

''But the rights of the parties were not simple. The defendant, having the privilege of using the name 'Middleby Oven Company' within the contract territory, might not unreasonably believe that the good will in that old name, to which it was adding value by its business in the inside ovens, could rightly be made available for continuous ovens, if they were distinguished from the Marshall ovens by the name 'Universal'. I think it was wrong, but the controversy, by reason of its difficulty and doubtfulness, should have been promptly taken to court by the complainant, instead of being postponed for years. Such laches is a bar to a decree for an accounting (McLean v. Fleming, 96 U. S. 245, 24 L. Ed. 828), but an injunction is granted against the use of the word 'Middleby' by the defendant in connection with continuous ovens.

The decree shall be without costs.

Before Hough, Manton, and Mack, Circuit Judges.

Per Curiam. Decree affirmed, with costs, upon the opinion of Augustus N. Hand, District Judge."

Plaintiff Filed and Later Dismissed Opposition to Registration of Defendant's Mark in the Patent Office.

Another factor justifying the exercise of discretion of the Court in balancing equities is that Defendant's predecessor applied for registration of its mark "ALPEN GLOW" in the Patent Office on May 12, 1933. (Exhibit B.) This was five days before Plaintiff applied for its registration of the word "GLOW" alone, on May 17, 1933 (Exhibit 5), in which it falsely stated its date of use as 1925, instead of 1933. Evidently Plaintiff prosecuted its application more diligently than Defendant, and Plaintiff's registration was granted October 24, 1933. Notwithstanding plaintiff's several registrations, Defendant's mark "ALPEN GLOW" was approved for registration by the Patent Office in the usual course and passed to publication in the Official

Gazette of the Patent Office on October 2, 1934, whereupon on October 26, 1934, the Plaintiff filed an Opposition to the granting of Defendant's registration. (Exhibit 33.) Even in that Opposition proceeding (Exhibit 33), Plaintiff did not advise Defendant of any claim of trademark rights in the word "GLOW" but only in "GOLDEN GLOW", and when Defendant contested that Opposition by filing its Answer dated December 3, 1934, Plaintiff voluntarily dismissed its Opposition by motion dated April 9, 1935, the Order for Dismissal, however, being without prejudice. (Exhibit 33.) While Defendant does not claim that a dismissal without prejudice, under the then existing rule, barred this suit, it is urged that, combined with other circumstances which existed, it was a persuasive factor in justifying a reasonable person to act on the belief that all objections to the use of the opposed mark had been withdrawn.

Laches. Under Circumstances of this Case Denial of Accounting is Justified by Laches.

Further, if the business of Defendant was so large as Plaintiff urges, or if the mark of Defendant was so damaging to Plaintiff's large and well established business (where the main plant of Plaintiff is in Oakland and Defendant in San Francisco, and both selling goods in the same territory), is it humanly possible to believe that Plaintiff's officers did not know of Defendant's use of the mark before filing the Opposition in October, 1934, a year and a half after Defendant began to use the mark on April 7, 1933? It is difficult for a party to positively prove lack of knowledge of his opponent. The Supreme Court has put it this way:

Foster v. Mansfield, C. & L. M. R. Co., 146 U.S. 88, 99, 36 L. Ed. 899, 903:

"The defense of want of knowledge on the part of one charged with laches is one *easily made,* easy to prove *by his own oath, and hard to disprove;* and *hence the tendency of courts in recent years has been to hold the plaintiff to a rigid compliance with the law, which demands,* not only that he should have been ignorant of the fraud, but *that he should have used reasonable diligence to have informed himself of all the facts.*"

Johnston v. Standard Min. Co., 148 U. S. 360, 37 L. Ed. 480:

"While there is no direct or positive testimony that plaintiff had knowledge of what was taking place with respect to the title or development of the property, *the circumstances were such as to put him upon inquiry;* and *the law is well settled* that where the question of laches is in issue *the plaintiff is chargeable with such knowledge as he might have obtained upon inquiry,* provided the facts already known by him were such as to put upon a man of ordinary intelligence the duty of inquiry."

Plaintiff certainly knew the facts in October, 1934, when the Opposition was filed, and their salesman, Larry Lavers, was confronted with it, "quite a bit in 1934". (R. 79.) Yet, Plaintiff dismissed its Patent Office Opposition in April, 1935, and did not commence this suit until December 17, 1935, thereby waiting until Defendant spent effort and time and money to develop a profitable business, probably with a hope by Plaintiff that they could then step in and take those profits or recover damages. But of such an attitude, the Supreme Court says:

Twin Lick Oil Co. v. Marbury, 91 U.S. 587, 23 L. Ed. 329:

"The injustice, therefore, is obvious of permitting one holding the right to assert an ownership in such property to voluntarily await the event, and then decide, when the danger which is over has been at the risk of another, to come in and share the profit."

But it is not *time* alone which moves the conscience of the chancellor, though in many of the cases the period of delay has been longer than is involved here. Unusual circumstances may make even a short delay amount to laches. In *Gillons v. Shell Oil Co. of California,* 86 Fed. (2d) 600, this Court quoted Judge Sanborn as follows:

"The meaning of this rule is that, under ordinary circumstances, a suit in equity will not be stayed for laches before, and will be stayed after the time fixed by the analogous statute of limitations at law; *but if unusual conditions or extraordinary circumstances make it inequitable to allow the prosecution of a suit after a briefer, or to forbid its maintenance after a longer, period than that fixed by the statute, the chancellor will not be bound by the statute, but will determine the extraordinary case in accordance with the equities which condition it.*"

The determination of what constitutes delay amounting to laches is within the discretion of the trial Court, taking all facts in account.

Gillons, et al. v. Shell Oil Co. of California (C. C. A. 9), 86 Fed. (2d) 600, 32 Pat. Qr. 1:

"The defense of laches is directed more intimately to the conscience of the chancellor, and whether it shall prevail rests in his discretion."

The Kermit, 76 Fed. (2d) 363, 367 (C. C. A. 9):

"As the decisions indicate, the question of *laches is addressed to the sound discretion of the trial judge, and his decision will not be disturbed on appeal unless it is so clearly wrong as to amount to an abuse of discretion.*"

Under the facts and circumstances of this case, delay from October, 1934, to December 17, 1935, a period during which Plaintiff admits it knew of Defendant's use of the mark "ALPEN GLOW", is sufficient to bar a Plaintiff from obtaining an accounting, where a defendant is acting in good faith.

Worcester Brewing Corp. v. Rueter & Co., 157 Fed. 217 (C. C. A. 1):

"The main fact to which we call attention in this connection is that it is to be presumed that the respondent was acting in good faith, believing that it had a right to use the word 'Sterling'. This arose partly from the fact of the nature of the word, one of common description of quality in certain classes of goods, partly from the fact that in registering its Massachusetts trademark the complainant had stated that the word was not essential, and partly from the advice of its counsel. Under these circumstances the respondent ought not to be a sufferer by reason of lack of diligence on the part of the complainant in giving warning, either with reference to the period before the warning was given or pending a reasonable time thereafter to ascertain its legal rights.

If the case had been free from doubt, and if, consequently, the course of the respondent had amounted to willful piracy, the circumstances to which we have referred might not have been of moment; but, as it stands, the equity of the complainant as to an accounting is especially weakened by the fact that the expenditures made by the respondent in pushing its business were largely after the complainant had full notice of the infringement in the manner we have shown. *The delay was not very long, a little more than a year; but on the question of laches, the length of the delay is more or less important in connection with the other circumstances.* Moreover, it is difficult to understand how the complainant could have had knowledge of the facts to which we have referred, and have remained quiet for more than a year, except on the hypothesis that it impliedly waived the infringement for the time being. *Quite likely the complainant underestimated the importance of the business done by the respondent, and had no intention of seeking any remedy until it came later to appreciate that the respondent's business was increasing, while its own was falling off. On any theory, the complainant ought not to benefit at the cost of a loss to the respondent.*

McLean v. Fleming, 96 U. S. 245, 256, 24 L. Ed. 828, and sequence, and Menendez v. Holt, 128 U. S. 514, 524, 9 Sup. Ct. 143, 32 L. Ed. 526, settled the rule that circumstances may sometimes justify an injunction while the delay attending the proceedings would bar an account of profits; though it is true that, in these cases, the periods of delay were so long that neither of them offers a close analogy for the case at bar. In Fairbank Co. v. Luckel Co. (C. C.), 106 Fed. 498, affirmed by the Court of Appeals for the *Ninth* Circuit, 116 Fed. 332, 54 C. C. A. 204, it was, however, observed with reference to the length of time which may make laches of importance, that 'it will necessarily depend upon the intention of the infringer whether fraudulent intention existed on the part of the respondent, and that, "in such a case, laches for a

> much shorter period than that which in fact had intervened might have been held sufficient to justify the denial of relief by way of accounting.'' Also in The French Republic v. Saratoga Vichy Company, 191 U. S. 427, 439, 24 Sup. Ct. 145, 48 L. Ed. 247, the opinion, on the defense of laches, gave weight to the fact that there was little evidence in the record of any purposed fraud.' ''

An even stronger case is now presented to this Court. Not only did Plaintiff unreasonably delay his suit; not only is there a total lack of wrongful intent; but the circumstances would warrant any reasonable person in believing that he had an absolute right to use his mark ''Alpen Glow''; and in fact, that he had been encouraged in so doing by the then manager of Plaintiff's plant and all of Plaintiff's subsequent actions. Under such circumstances, an accounting would be a violation of good conscience, especially when the jurisdiction of the Court was invoked under a registration of trademark in which the date of use had been antedated eight years, whereas the actual use did not begin prior to Defendant's use of its own mark ''Alpen Glow''. In addition to finding absence of wrongful intent, the Court further found that there was no semblance of unfair competition, in dress of goods, labels, packages, etc., except by use of the word ''Glow'' in the combination trademark ''Alpen Glow''. (Finding XXVII, R. 43.)

There is No Evidence of Plaintiff's Loss of Sales, and, therefore, No Primary Basis for an Accounting.

In the present case, while there was competition, there is no evidence to show that Defendant palmed off its goods as those of Plaintiff and there is no evidence that Plaintiff lost any sales by reason of Defendant's use of the mark "Alpen Glow". Attention is particularly invited to Finding XIX (R. 41), and the expression used by the Court, clearly indicating that the trial Court found no basis in the evidence for any accounting. Before an accounting should be ordered, there must be a basis in the evidence for an accounting. The only *suggestion* in the evidence is that one witness (R. 92) bought one bottle of beer, had asked for "Glow" and claims to have been served "Alpen Glow", and he "saw it was a different beer from what he had been drinking", but he drank it anyway because it had been opened; when this witness became aware that there were two beers trademarked "Golden Glow" and "Alpen Glow", he recognized the difference in those marks. If he immediately recognized that the "Alpen Glow" beer was not his usual "Golden Glow" beer, there cannot be any palming off, but merely a customer who was willing to accept from a retail dealer a product he didn't ask for. And even this meager evidence, though we believe it to have been an effort to remember correctly, was by a witness somewhat advanced in years, 81 years old, who did not produce any labels or any evidence of his purchase, who could not remember the name of the place and his only recollection of time was—"along last summer, sometime in May or June". Such speculation and inference cannot take the place of affirmative proof.

> *Tillman & Bendel, Inc. v. California Packing Corporation* (C. C. A. 9), 63 Fed. (2d) 498, at 499, 500, 510:

> "In a memorandum opinion the District Court declared that *because of the appellant's good faith and*

because of the fact that the appellee had not proved actual damage, there would be no award of damages in favor of the appellee (at 499). * * *

But *there is no affirmative evidence that any confusion disadvantageous to the appellant has resulted from the sale of the two Del Monte brands,* either in the east or the west, and the lower court so found. Five pieces of evidence do, indeed, indicate that there might have been confusion in favor of the appellee and disadvantageous to appellant, *but speculation and inference cannot take the place of affirmative proof* (at 500).

* * * * * * *

The Court below held that there was no 'evidence of actual damage to defendant arising out of plaintiff's sales of coffee bearing the name "Del Monte" warranting an award of damages', and the amended decree sets forth that 'defendant and cross-complainant take nothing in the way of damages against plaintiff and cross-defendant.'

Since the appellee has filed no cross appeal, the amended decree of the lower court will not be disturbed (at 510). * * *

In so far as the amended decree awards damages to neither party, it is affirmed."

This Court had previously reversed a decree for damages and also denied an appeal to recover profits, where the evidence in the trial Court did not disclose loss of sales as a primary basis for any accounting.

Horlick's Malted Milk Corp. v. Horluck's, Inc. (C. C. A. 9), 59 Fed. (2d) 13, 13 U. S. P. Q. 296:

"There remains for us to consider the question of compensation to the plaintiff for the injury caused by the unlawful acts of defendant. The district court decreed an accounting of damages, but plaintiff contends it is entitled to an accounting of the profits made by defendant as well, while the defendant claims that the damage to the plaintiff, if any, is remote, consequential and conjectural, and does not furnish a proper basis for ascertainment and computation of damages. It is to be remembered that there was no direct competition between plaintiff and defendant, and the testimony of plaintiff's own witnesses was to the effect that *defendant's acts have not deprived it of any sales of its product.* In *Vogue Co. v. Thompson-Hudson Co., et al.*, 300 Fed. 509, 512, Judge Denison, speaking for the Circuit Court of Appeals for the Sixth Circuit, said:

'However, we find no satisfactory basis for an accounting against either the manufacturer or retailer for profits or damages. The case is peculiarly one where such damage as has occurred, like that which is still in prospect, is incapable of computation. We see no reasonable probability that any substantial damages could be proved and reduced to dollars and cents with that degree of accuracy that is essential in such a case. Nor does this conclusion —that there should be no accounting—make it necessary to decide whether plaintiff is entitled to relief strictly as for trademark infringement. Those cases in which plaintiff in such a suit has been awarded all the profits which defendant received from the sale of the articles wrongfully trademarked, have been cases in which, by the theory of the law, the plaintiff had lost the sales. The plaintiff's relief will therefore be confined to the issue of an injunction and the recovery of taxable costs of both courts.' "

Permitting Defendant to Use up its Existing Labels Was Justified by Same Facts on Which Accounting Was Denied.

And finally, not alone was the District Court right in denying the accounting, it was also right in staying the injunction for a reasonable time to permit Defendant to use up its existing supply of labels. The reprinting of paper labels is not a tremendous expense, but Defendant had, during Plaintiff's delay, ordered a large stock of lithographed tin cans which are expensive and cannot be changed. (See Finding XXVI, R. 43.) The Court of Appeals for the First Circuit approves such stay of injunction as a sensible statement of the rules.

Worcester Brewing Corpn. v. Rueter & Co. (C. C. A. 1st), 157 Fed. 217:

"Very sensible statements of the rules as to laches are found in Sebastian's Law of Trade-Marks, 4th Ed. (1899), at pages 206 and 207. It is there said:

'Even if the delay has not been such as to disentitle the plaintiff to his injunction, it may yet obtain some indulgence for the defendant; as, for instance, the *permission to dispose of the wares on which he expended money in consequence of the plaintiff's delay.* Or the injunction may be granted and the account of profits or damages by which it is usually accompanied withheld.'

A powerful inducement to deny an accounting by reason of laches was spoken of by Lord Justice Mellish in Ford v. Foster, L. R. 7 Ch. 611, 633, where it was suggested that, instead of getting profits according to the practice in equity covering six years while he was quiescent, the complainant would probably get from a jury only 40 shillings damages, on the ground that there would be no evidence of specific loss.

It is suggested by the complainant that its delay was only such as was necessary to enable it to investigate the truth before involving itself in litigation, and that, also, the facts known to it in July, 1903, did not justify it in assuming that the respondent was deliberately using its trademark. What happened at Bellows Falls disproves any such necessity. Whether or not Rueter supposed the expression complained of was being deliberately used is of no particular consequence, because, if it was being innocently used, there was, at least, as much occasion for giving prompt warning. The fact is that, in July, 1903, even if it preferred to delay litigation for any just reason, the complainant certainly had all the materials necessary to enable it to give the respondent prompt notice.''

It is submitted that the District Court properly exercised its discretion in denial of an accounting and in permitting Defendant to consume its existing labels, and that portion of the Decree should be affirmed.

POINT IV.

PLAINTIFF'S POINT THAT THE INJUNCTION SHOULD HAVE INCLUDED ALL BEVERAGES ON THE BASIS OF UNFAIR COMPETITION IS NOT SOUND.

The allegations of the pleadings and the Plaintiff's registrations (Exhibits 1-6), as well as the oral testimony of manufacture by Plaintiff, are limited to *malted* beverages having alcoholic content,—''not more than the legal alcoholic content". Before Plaintiff endeavors to stretch its mark to cover non-alcoholic beverages, it should allege, first, some rights in non-alcoholic beverages, and second, some registrations of its marks in the Patent Office for non-alcoholic beverages, since this suit is based not merely on trademarks, but on *registered* trademarks. It is not within *Hurn v. Oursler*, 289 U. S. 238, 77 L. Ed. 1148, nor *Armstrong v. Nu-Enamel Corpn.*, ... U. S. ...., 83 L. Ed. 183, because the issue as to all beverages is not determinable on the same facts nor the same registrations. It is not "another ground for the same cause of action", but calls for an entirely different line of evidence. Defendant's Exhibits C to G, inclusive, being registrations of other parties prior to this Plaintiff for "Golden Glow" and other combinations of "Glow" for non-alcoholic beverages, definitely indicate that the Patent Office never would have granted Plaintiff's registrations to include non-alcoholic beverages. And these very registrations were objected to by Plaintiff on the ground that they were "improper for all purposes" (R. 98), and "incompetent, irrelevant and immaterial". (R. 99.)

Endeavoring now to have included in a Decree for an injunction, a case neither pleaded nor proved, so as to include soft drinks, is similar to including in a Decree in a patent case, claims which were not in issue by the pleadings and the proofs.

> *Wire Tie Machinery Co. v. Pacific Box Corpn.* (C. C. A. 9), ... Fed. (2d) .... (March 13, 1939):
>
> "It is a fundamental concept of equity procedure that adjudication must be based upon the issues cre-

ated by the pleadings (Reynolds v. Stockton, 140 U. S. 254, 265, 11 Sup. Ct. 733, 776; McEwen et al. v. H. J. Grimes & Co., et al. (C. C. A. 6), 90 Fed. (2d) 872, 874).

In the principal case only the claims alleged in the complaint to have been infringed by defendant were in issue. The decree of the District Court, insofar as it went beyond the issues, should be reversed.''

Such unpleaded and untried matters, when raised on appeal prejudice an appellee who has tried the case and agreed on an appeal record solely on the basis of the case as pleaded, tried and determined. Since Plaintiff attempts to go outside the case as pleaded and tried, Defendant may be pardoned for departing from the printed record by way of explanation. In the settlement of findings, Plaintiff urged upon the trial Court a finding of infringement as to all beverages, which the Court declined to make. Defendant then voluntarily assured the Court that they had no desire to use the mark ''ALPEN GLOW'' on any beverages if they could not use it on beer, and would confirm that in writing to Plaintiff, which was accordingly done on June 15, 1938, per copy in footnote.*

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*June 15, 1938.

Golden West Brewing Company,
Oakland, California.
Gentlemen:

Re Golden West Brewing Company vs. Milonas & Sons, Inc., Equity No. 3969-R, in the United States District Court, Northern District of California.

In the above-entitled cause a Decree was entered on June 14, 1938, copy of which you undoubtedly have in your file.

In a conference between counsel for the parties in the presence of Judge Roche, our attorney informed the Court that we would also vol-

POINT V.

THIS COURT, BECAUSE OF THE GREAT WEIGHT OF ITS JUDGMENT AS PRECEDENT, SHOULD, OF ITS OWN MOTION, DECLINE TO GIVE JUDICIAL SANCTION TO SUSTAINING DESCRIPTIVE WORDS AS VALID TRADEMARKS; AND SHOULD DECLINE TO SUSTAIN INFRINGEMENT IN THIS CASE.

Validity.

In view of the representation made by Defendant to the trial Court that it could readily change its labels within a reasonable time, good faith required that Defendant should not appeal from the Decree which permitted Defendant to do so. Defendant, therefore, urges that this Court, of its own motion and inherent power, should reverse that portion of the Decree which holds the marks "Golden Glow" and "Glow" to be valid trademarks, on the ground that they merely describe the color and brilliance of beer or any yellow carbonated beverage. The question is not so much whether numerous persons have used it, but whether the public has a *right* to use it. By sustaining Plaintiff's property right in the word "Glow" as a technical trademark, that appropriately descriptive word is effectively

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untarily discontinue the use of the name "Alpen Glow" on soft drink beverages as soon as we used up our present supply of labels, cartons, caps, etc., bearing the trademark "Alpen Glow", but in any event not to exceed a period of one year from the date of the Decree, and that we would give a written assurance to that effect to the Plaintiff.

Therefore, we take this opportunity to confirm the above assurance made by our attorney.

Very truly yours,

Milonas & Sons, Inc.,
By John K. Milonas,
Its President.

Received original signed copy of foregoing letter this 21st day of June, 1938.

Townsend & Hackley,
Attorneys for Golden West Brewing Company.

expropriated from the public domain and no other dealer may employ it to describe the brilliancy or sparkling characteristic of any beer or malted alcoholic beverage. No authority is needed on the point that such a descriptive word cannot become the exclusive property of a single trader. (See Defendant's Exhibit H.) Defendant urges that such power is inherent in a Court of Equity.

> *Gray v. Eastman Kodak Co.* (C. C. A. 3), 67 Fed. (2d) 190, 196:
>
> "* * * it is contended that under the pleadings and procedure in this case the decision of the trial judge is final and conclusive on the question of invention. In effect this means that if the Circuit Court of Appeals, and consequently the Supreme Court, should be of opinion there was invention, and that of a high order, they are powerless to so decree. We cannot concede the helplessness of appellate tribunals to right such a wrong, and we think the authorities support such conclusion."

Non-infringement.

The mark "GLOW", being invalid as a trademark, is not infringed. Manifestly "ALPEN GLOW" does not infringe "GOLDEN GLOW", and just one case of this Court is cited.

> *Van Camp Sea Food Co. v. Westgate Sea Products Co.* (C. C. A. 9), 28 Fed. (2d) 957.

The Patent Office evidently felt that there was no confusing similarity, because it granted Defendant's registration of "ALPEN GLOW" (Exhibit B), though Plaintiff's registrations (Exhibits 1 to 4), were of record, and in spite of the fact that these registrations were specifically brought to the attention of the Patent Office by the Opposition proceeding, (Exhibit 33.)

CONCLUSION.

Wherefore, Defendant-Appellee prays:

1. That the decree should be reversed of the Court's own motion, in so far as it holds the marks "Golden Glow" and "Glow" to be valid and infringed, and

2. That, if this Honorable Court does not hold said marks to be valid and not infringed, the Decree be affirmed as to those portions denying Plaintiff an accounting and permitting Defendant to consume its existing stock of labels.

Dated, San Francisco,
May 22, 1939.

Respectfully submitted,
William S. Graham,
Attorney for Defendant-Appellee.